CONNECTICUT MAIN STREET CENTER

STATEMENT OF JOHN SIMONE
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CONNECTICUT MAIN STREET CENTER
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BEFORE THE PLANNING & DEVELOPMENT COMMITTEE
SENATE BILL NO. 677, "AN ACT ESTABLISHING TAX INCREMENTAL FINANCING DISTRICTS"

Chairwoman Osten and Chairman Miller, members of the Planning & Development Committee, I am John Simone, President & CEO of the Connecticut Main Street Center (CMSC). CMSC is a statewide non-profit whose mission is to inspire great Connecticut downtowns, Main Street by Main Street. We provide education, advocacy and technical assistance on creating and managing vibrant downtowns and village centers. We have a statewide network of nearly sixty member communities.

I am here to support Senate Bill 677, "An Act Establishing Tax Incremental Financing Districts." This bill would allow our downtowns to form Tax Increment Financing (TIF) districts which would provide much needed resources to invest in transit-oriented and mixed-use development – thereby increasing the vibrancy of our Main Street districts. The amount of vacant and underutilized space in our downtowns is significant and represents an ongoing threat to our long-term economic vitality and a distinct opportunity for redevelopment, especially for housing to meet the growing demand for downtown living among Baby Boomers and millennials.

TIF is a financing mechanism by which an anticipated increase in future taxes is used to fund current investment in development or redevelopment. Bonds can be issued to pay for the development, which then leads to an increase in property values (and ideally spurs additional development). As the value of the property increases the additional tax revenue is used to repay the debt on the bond. The key point is these projects are funded by new incremental tax revenues that would otherwise not exist "but for" these investments being made.

Connecticut has TIF but it is not utilized anywhere close to its full potential. CMSC commissioned Yale Law School's Community and Economic Development Clinic to study Connecticut's TIF legislation versus that of other states. From their research and a survey of our members, town planners and economic development professionals we found Connecticut's municipalities are far less likely to utilize TIFs because:

- The current laws are too complicated, often requiring approvals from multiple state agencies for the different existing TIF statutes.
- TIF can only be used on a project-by-project basis as there is currently no way to create a TIF district and use the tax increment from all of the properties within the district. This is critical for our downtowns where the tax increment from one project may not produce enough funds to make a difference but when the increment is for an entire district it can have a significant and lasting impact.
- The tax increment proceeds can only be used to repay debt service on outstanding TIF bonds rather than being set aside for future projects.
- The types of projects currently eligible for TIFs do not meet the development and redevelopment needs of municipalities.
- Municipalities cannot issue general obligation bonds for creditworthy, feasible projects which would lower overall financing costs.

In an era where municipalities are struggling to find ways to increase revenues while controlling costs, tax increment financing allows municipalities to invest in our historic town centers without raising taxes or spending

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funds needed for other purposes. The new statute will also allow for a more localized and streamlined approval process with greater flexibility in the types of investment funded. The benefits of Senate Bill 677 include:

- Allows for the creation of TIF districts – as a point of comparison, Maine had 350 TIF districts to CT's none.
- All TIF districts and project approvals can be made locally by municipalities with an appropriate district plan, public hearing and approval process.
    - Enables municipalities to retain a portion of the incremental TIF revenue to pay for increased governmental services created by the development.
    - TIF revenues can be used to repay the debt service on the TIF bonds and/or collected and segmented for future projects within the TIF district on a pay-as-you-go basis.
- Lowers overall financing costs by allowing municipalities to issue general obligation bonds for creditworthy projects within the TIF district.

For these reasons, CMSC strongly supports the passage of Senate Bill 677.

At this time, I would be happy to answer any questions the Committee may have.